

Message Text

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ACTION XMB-04

INFO OCT-01 EA-10 ISO-00 EB-08 COME-00 TRSE-00 AID-05
OMB-01 CIAE-00 INR-10 NSAE-00 /039 W
-----028309 060654Z /10
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 9335
INFO AMEMBASSY SEOUL

C O N F I D E N T I A L TOKYO 12199

PASS EXIMBANK AND TREASURY

E.O. 11652: GDS
TAGS: EFIN, JA, KS
SUBJECT: KECO'S SEOHAE THERMAL POWER PROJECT

REF: (A) TOKYO 9222, (B) STATE 168667

1. EMBASSY WILL UNDERTAKE PROVIDE DETAILED EXPLANATION REQUESTED REFTEL B OF TECHNIQUES USED IN JAPAN TO DEAL WITH FOREIGN EXCHANGE RISK. HOWEVER, THIS REPRESENTS A MAJOR UNDERTAKING AND A PROMPT REPLY IS NOT FEASIBLE. IT SEEMS TO US LIKELY THAT IN THE FINAL ANALYSIS WE WILL FIND THAT JAPANESE FIRMS HAVE EXTENSIVE EXPERIENCE IN DEALING WITH FOREIGN EXCHANGE RISK WITHOUT GOVT INVOLVEMENT, INCLUDING LONGER-TERM COMMITMENTS. SOME 70 PCT OF JAPANESE EXPORTS AND ALMOST ALL OF JAPANESE IMPORTS ARE SAID TO BE FOREIGN CURRENCY (MAINLY DOLLAR) DENOMINATED. WE WOULD ALSO NOTE THAT TRADING COMPANIES HAVE LONG-TERM FOREIGN CURRENCY CONTRACTS FOR RAW MATERIAL IMPORTS AND THUS MAY COVER THAT WAY.

2. WE WILL ALSO EXPLORE FURTHER WITH GOJ OFFICIALS WHETHER THEY ARE PREPARED TO MAKE DEFINITIVE STATEMENT REGARDING OFFICIAL INVOLVEMENT IN EXCHANGE GMTE PROTECTV, *94 39-
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HAE PROJECT. HOWEVER, SINCE THEY HAVE ALREADY TOLD US THERE IS NO OFFICIAL DOLLAR LENDING TO SUPPORT EXPORTS AND THAT EXCHANGE RATE INSURANCE HAS NOT BEEN REQUESTED FOR THIS PROJECT, IT WOULD BE HELPFUL IF EXIM COULD INDICATE WHAT VEHICLE IT BELIEVES IS BEING EMPLOYED.

3. REFTEL A REPORTED THAT MARUBENI WAS APPROACHED AND

REFUSED TO PROVIDE INFORMATION CONCERNING FINANCING ARRANGEMENTS FOR THE SEOHAE BID. WE WILL TRY TO DEVELOP FURTHER INFORMATION ON THIS PROJECT, BUT IT WOULD BE HELPFUL IN THIS CONNECTION IF EXIM COULD PROVIDE EMBASSY WITH RESUME OF WHATEVER INFORMATION IT HAS AVAILABLE CONCERNING FINANCING ARRANGEMENTS FOR THE PROJECT.

4. FINALLY, EMBASSY HAS SERIOUS DOUBTS THAT IT BEHOOVES THE USG TO TAKE THE POSITION, AS SET FORTH REFTEL B, THAT CARRYING LONG-TERM DOLLAR DENOMINATED CLAIMS ENTAILS RISKS THAT COMMERCIAL FIRMS ARE NOT PREPARED TO CARRY. A LOT OF PEOPLE STILL BELIEVE THAT THE DOLLAR IS A SUPERIOR CURRENCY FOR THE LONG HAUL. WE HOPE INTERESTED WASHINGTON AGENCIES WILL CONSIDER CAREFULLY THE BROAD IMPLICATIONS OF VIEWS SET FORTH REFTEL. MANSFIELD

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